by a majority of votes; India, Maldives, Marshal Islands, Mongolia, Pakistan, Philippines, Peoples' Republic of China, Bangladesh, Bhutan, Lao PDR, Malaysia, Myanmmar, Nepal and Singapore abstained from the voting.

Misuse of Cash Credit Limits

4443. SHRI SOM PAL :
SHRI SARADA MOHANTY :

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that Indian banks are facing unhealthy competition at the hands of foreign banks and financial institutions, who are indulging in undercutting in the commercial paper market;

(b) whether it is also a fact that blue chip companies are misusing the cash credit limits to issue commercial papers that in turn are picked up by the foreign banks and financial institutions at bargain basement rates and are then used to undercut the banks ;

(c) what steps, if any, are being proposed to curb this unhealthy practice, which is being taken advantage of by foreign banks and FIs and is working to the disadvantages of our banks ;

(d) whether the Indian Bank's Association have approached the Reserve Bank of India to delink the CPs from C/C limits which forms the basis of this device ; and

(e) if so, what is RBI's and Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) The Reserve Bank of India (RBI) has reported that in terms of extant guidelines, commercial paper is in the form of usance promissory note negotiable by endorsement and delivery and issued as per the prescribed formate at such discount to face value as may be determined by the company issuing the commercial paper. As such, no minimum rates have ever been fixed by RBI. Further commercial paper may be issued to any person, including individuals, banks, companies and other corporate bodies registered or incorporated in India and unincorporated bodies, though no commercial paper can be issued to a non-resident Indian except on non-repatriation basis and except subject to the condition that it shall not be transferable. The reported 'undercutting' is related to lower rate than the minimum rate decided by Indian Banks' Association. Such minimum rate decided by Indian Banks' Association is its internal matter. RBI guidelines do not warrant the same nor was RBI consulted in this connection.

(b) and (c) RBI has reported that in terms of objectives for introduction of commercial paper, it is considered desirable to allow highly rated corporate borrowers to diversify their sources of short term borrowings by issue of commercial paper and also provide an additional financial instrument to investors. Companies eligible to issue commercial paper, can issue the same to the extent of 75% of its working capital (fund based) limits. Such sanctioned limits are reduced to the extent of the aggregate amount raised by issue of commercial paper. The question of 'misusing cash credit limits,' therefore, does not arise.

(d) and (e) RBI has reported that it has so far not received any communication from the Indian Banks' Association in this regard.

Resorting to overdrafts by Bihar Government

4444. SHRI S. S. AHLUWALIA : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Bihar Government is resorting to overdrafts and drawing advances from the Centre to pay staff salaries for the last three years;

(b) if so, what are the details of the overdrafts and advances drawn by the State Government during the last three years; and

(c) what remedial action Government propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) The State of Bihar went into overdraft with the RBI like other States